

## Message Text

SECRET

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ACTION NEA-07

INFO OCT-01 SS-14 ISO-00 EUR-08 EA-06 ARA-06 AF-04 INR-05  
CIAE-00 NSC-05 NSCE-00 EB-04 OES-02 TRSE-00 OMB-01  
L-01 H-01 SP-02 PRS-01 USIA-01 NEAE-00 SSO-00 /069 W  
-----151513Z 048801 /50

R 151404Z FEB 77

FM AMEMBASSY KUWAIT  
TO SECSTATE WASHDC PRIORITY 7303  
INFO AMEMBASSY ABU DHABI PRIORITY  
AMEMBASSY ALGIERS PRIORITY  
USINT BAGHDAD  
AMEMBASSY BONN PRIORITY  
AMEMBASSY CARACAS PRIORITY  
AMEMBASSY JAKARTA PRIORITY  
AMEMBASSY JIDDA PRIORITY  
AMEMBASSY LAGOS PRIORITY  
AMEMBASSY LIBREVILLE PRIORITY  
AMEMBASSY LONDON PRIORITY  
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AMCONSUL JERUSALEM PRIORITY

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JERUSALEM/CAIRO PLEASE PASS TO SECRETARY'S PARTY

E.O. 11652: GDS  
TAGS: ENRG, OPEC, KU  
SUBJECT: KUWAIT FOREIGN MINISTER'S POSITION ON OIL PRICE  
INCREASE COMPROMISE

1. SUMMARY: KUWAIT FOREIGN MINISTER EXPRESSED HIS CONCERN OVER REDUCTION OF KUWAIT OIL PRODUCTION AS RESULT OF IMPACT OF OPEC DUAL PRICE STRUCTURE. HOWEVER, HE DECLARED THAT KUWAIT WOULD NOT DESERT OPEC ELEVEN EVEN IF ITS OIL PRODUCTION DROPPED TO LEVEL REQUIRING CONVERSION FROM A NATURAL GAS TO FUEL OIL FOR POWER GENERATION AND OTHER REQUIREMENTS. FONMIN INDICATED THAT KUWAIT WAS READY TO CONSIDER REASONABLE COMPROMISE AND WOULD GO ALONG WITH PRICE INCREASE PERCENTAGE LOWER THAN 10 PERCENT IF IRAN WOULD ALSO AGREE. HE EXPRESSED DISAPPOINTMENT OVER RIGID SAUDI POSITION ON THIS QUESTION AND INDICATED THAT IF KUWAITI CONTRIBUTIONS TO MORE NEEDY ARAB COUNTRIES HAD TO BE REDUCED, THEY WOULD KNOW WHOSE FAULT IT WAS. KEY TO OIL PRICE INCREASE COMPROMISE, INsofar AS GOK IS CONCERNED, SEEMS TO BE IN IRANIAN HANDS. END SUMMARY.

2. DURING A MEETING AT MY RESIDENCE FEB. 14 FONMIN SABAH AL-AHMAD AL-JABER EXPRESSED SOME ANXIETY OVER THE CONTINUING OPEC TWO-TIER OIL PRICE SITUATION. HE CONFIRMED THAT KUWAIT'S OIL PRODUCTION WAS WAY DOWN, BUT SAID THAT GOK WOULD CONTINUE TO RESPECT OPEC ELEVEN'S AGREED PRICE LEVEL, ALTHOUGH THEY WERE READY TO FOREGO ADDITIONAL FIVE PERCENT INCREASE SCHEDULED FOR JULY 1.

3. SABAH AL-AHMAD SAID THAT GOK HAD SUPPORTED QATARI PLAN WHICH WAS REJECTED OUT OF HAND BY SAUDI ARABIA. IN FACT, KUWAIT WAS READY TO AGREE TO CONTINUE UNDER THE TWO-TIER PRICE STRUCTURE UNTIL END OF 1977 IF SAUDIS WOULD THEN

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RAISE THEIR PRICE INCREASE TO TEN PERCENT. MOREOVER, GOK WAS ALSO PREPARED TO AGREE TO A FREEZE AT TEN PERCENT INCREASE LEVEL THROUGHOUT 1978.

4. I SUGGESTED THAT QATARI PROPOSAL (THAT SAUDI ARABIA/UAE AGREE TO TEN PERCENT INCREASE WHILE OPEC ELEVEN AGREED TO DROP ADDITIONAL FIVE PERCENT INCREASE) WOULD REPRESENT A SUBSTANTIAL CONCESSION BY SAUDI ARABIA, SO IT WAS NOT SURPRISING THAT THE SAUDIS TURNED IT DOWN. I WONDERED WHAT THE SAUDI REACTION WOULD BE TO A COMPROMISE PROPOSAL WHICH WOULD SET THE INCREASE SOMEWHERE BETWEEN FIVE AND TEN PERCENT. SABAH AL-AHMAD SAID THAT HE DID NOT THINK THAT THIS WAS ACCEPTABLE TO IRAN AND ADMITTED THAT, WHILE GOK WAS NOT CONCERNED ABOUT IRAQI REACTION IN THIS CASE BECAUSE THEY ALWAYS DISCOUNTED THEIR PRICES ANYWAY, IT WAS SENSITIVE TO IRAN'S ATTITUDE. KUWAITI AMBASSADOR TO IRAN HAD RECENTLY DISCUSSED THIS MATTER WITH THE SHAH WHO SAID HE WOULD FOREGO ADDITIONAL FIVE PERCENT INCREASE BUT INSISTED UPON MAINTAINING TEN PERCENT LEVEL. WHEN I INDICATED THAT I HAD

HEARD SOME REPORTS IRAN MIGHT AGREE TO A FURTHER COMPROMISE, POSSIBLY IN THE RANGE OF EIGHT PERCENT, SABAH AL-AHMAD QUICKLY SAID THAT GOK WOULD BE READY TO GO ALONG WITH ANY COMPROMISE WHICH COULD OBTAIN BOTH IRANIAN AND SAUDI AGREEMENT. HE EXPECTED TO DISCUSS THE OIL PRICE INCREASE QUESTION IN RIYADH DURING HIS VISIT STARTING TOMORROW.

5. THE FOREIGN MINISTER COMPLAINED ABOUT THE RIGID SAUDI ARABIAN ATTITUDE IN THIS MATTER AND NOTED THAT ITS COLLABORATOR, THE UAE, WAS IN AN UNCOMFORTABLE POSITION. ACCORDING TO A LETTER HE RECEIVED FROM ITS FOREIGN MINISTER, BECAUSE IT WAS BEING PRESSURED BY SAUDI ARABIA TO INCREASE ITS OIL PRODUCTION WHILE IT WAS BEING WARNED BY IRAN THAT ANY PRODUCTION INCREASE WOULD BE CONSIDERED AN UNFRIENDLY ACT. AS FOR KUWAIT, SABAH AL-AHMAD SAID THAT IT WOULD NOT DESERT THE OPEC ELEVEN AND WAS EVEN PREPARED

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JERUSALEM/CAIRO PLEASE PASS TO SECRETARY'S PARTY

TO SEE ITS CRUDE PRODUCTION GO AS LOW AS 800,000 B/D, IF NECESSARY. WHEN I ASKED HOW DOMESTIC REQUIREMENTS FOR ASSOCIATED GAS WOULD BE MET, HE SAID THE GOK WAS PREPARED TO ORDER CONVERSION OF POWER PLANTS AND OTHER INSTALLATIONS FROM GAS TO FUEL OIL, IF THAT BECAME NECESSARY. HE ADDED THAT, IN THE CASE OF SUCH REDUCED OIL SALES, ARAB COUNTRIES COULD NOT EXPECT TO RECEIVE THE SAME LEVEL OF ASSISTANCE FROM KUWAIT THAT THEY HAD IN THE PAST. THEY WOULD NOT NEED TO BE TOLD THE REASON WHY AND WHOSE FAULT IT WAS, I.E., SAUDI ARABIA.

6. COMMENT: THE COMMENTS ABOVE BY SABAH AL-AHMAD ARE A CLEAR REFLECTION OF KUWAIT'S ANXIETY OVER THE WAY THE DUAL OIL PRICE SITUATION IS PROCEEDING, ESPECIALLY AS IT IMPACTS ON KUWAIT. KUWAIT WOULD CERTAINLY NOT RELISH BEING PLACED IN THE UNFAVORABLE POSITION SABAH AL-AHMAD DESCRIBED AND, IN MY OPINION, WOULD BE PREPARED TO REACH ALMOST ANY SORT OF COMPROMISE, PROVIDED IT WAS ACCEPTABLE TO IRAN. THE QUESTION OF THE SETTLEMENT OF THE OPEC OIL PRICE INCREASE DISPUTE AGAIN COMES BACK TO THE ATTITUDE OF THE SHAH. I ANTICIPATE THAT THE SAUDI POSITION WILL BECOME MORE AND MORE DIFFICULT TO MAINTAIN AS TIME GOES ALONG, EITHER AS THE RESULT OF INCREASED WORLD DEMAND FOR OIL OR AS THE RESULT OF PRESSURE FROM OTHER MEMBERS OF THE OPEC ELEVEN. THEREFORE, IT SEEMS WORTHWHILE CONSIDERING WHETHER THERE MAY NOT BE SOME WAY IN WHICH THE SHAH COULD BE PERSUADED--IN THE INTEREST OF OPEC UNITY OR IN RESPONSE TO GLOBAL ECONOMIC CONSIDERATIONS--TO ADMIT A MORE REASONABLE ATTITUDE IN THIS MATTER. THE SECRETARY MAY WISH TO CONSIDER WHETHER THIS MATTER SHOULD NOT BE EXPLORED WITH THE SAUDIS TO DETERMINE THE POSSIBILITY OF A COMPROMISE INCREASE BETWEEN FIVE AND TEN PERCENT COUPLED WITH A PRICE FREEZE THROUGH 1978.

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## Message Attributes

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